

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED MERGER OF BARNESBURG)	
WATER ASSOCIATION, BRONSTON WATER)	
ASSOCIATION, ELIHU-RUSH BRANCH)	
WATER ASSOCIATION, OAK HILL WATER)	
ASSOCIATION, PLEASANT HILL WATER)	CASE NO. 9967
DISTRICT, PULASKI COUNTY WATER)	
DISTRICT NO. 1, PULASKI COUNTY)	
WATER DISTRICT NO. 2, AND TATEVILLE)	
WATER ASSOCIATION)	

O R D E R

The Commission, upon its own motion and pursuant to KRS 74.361, hereby FINDS that a proceeding to determine the advisability of merger of the nine water districts and associations in Pulaski County including Barnesburg Water Association ("Barnesburg"), Bronston Water Association ("Bronston"), Elihu-Rush Branch Water Association ("Elihu-Rush"), Nelson Valley Water Association ("Nelson Valley"), Oak Hill Water Association ("Oak Hill"), Pleasant Hill Water District ("Pleasant Hill"), Pulaski County Water District No. 1 ("District No. 1"), Pulaski County Water District No. 2 ("District No. 2"), and Tateville Water Association ("Tateville") should be established.

Pursuant to KRS 74.361, Commission Staff has performed a feasibility study of merging these utilities.

The Commission is aware of a separate case, Case No. 9894, in which the City of Science Hill seeks to purchase District No. 1. The investigation of the proposed merger of the Pulaski County

Districts and Associations and this report were conducted with a view that District No. 1 would be part of any resulting merger.

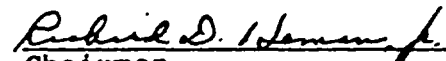
IT IS THEREFORE ORDERED that:

1. A hearing be held in this proceeding at the Commission's offices in Frankfort, Kentucky, on August 27, 1987, at 9:00 a.m., Eastern Daylight Time.

2. The Staff Report on the feasibility of merging the nine water districts and associations of Pulaski County attached hereto as Appendix A shall be included as part of the record in this proceeding. Staff preparing the Staff Report will be available for cross-examination.

Done at Frankfort, Kentucky, this 21st day of July, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

PULASKI COUNTY RURAL WATER UTILITIES

**A Study and Report of the utilities listed below
and the feasibility of merging these utilities.**

Barnesburg Water Association

Bronston Water Association

Elihu-Rush Branch Water Association

Nelson Valley Water Association

Oak Hill Water Association

Pleasant Hill Water District

Pulaski County Water District No. 1

Pulaski County Water District No. 2

Tateville Water Association

**A Report Submitted To The Public Service Commission
of Kentucky by Five Commission Staff Members:**

**Angela Schweickart
Kevin Mason
Mike Newton
Dennis Jones
Brynes Fairchild**

INDEX

	<u>Page</u>
Abbreviations	3
Introduction	4
Population and Water Service	5
Operating Records	8
Facilities Requirements	9
Utility Operations and Maintenance	10
Potable Water Supply	11
Examination of the Financial Records	11
Availability to Customers	12
Commissioners and Directors Fees and Per Diem	14
Meter Reading	14
Billing	14
Tariffs	16
Conclusions and Recommendations	17

ABBREVIATIONS

Long names such as Elihu-Rush Branch Water Association, Pulaski County Water District Number 1, Public Service Commission and others may appear in this report in a shortened or abbreviated form. This simplifies the wording of this report and the labeling of tabulated information. The following occur in this report:

Complete Name

Barnesburg Water Association
Bronston Water Association
Elihu-Rush Branch Water Association
Nelson Valley Water Association
Oak Hill Water Association
Pleasant Hill Water Association
Pulaski County Water District No. 1
Pulaski County Water District No. 2
Tateville Water Association
The City of Burnside
The City of Eubank
The City of Monticello
The City of Science Hill
The City of Somerset
South Kentucky RECC
Southern Belle Dairy
Public Service Commission

Shortened Name

Barnesburg
Bronston
Elihu-Rush
Nelson Valley
Oak Hill
Pleasant Hill
District 1
District 2
Tateville
Burnside
Eubank
Monticello
Science Hill
Somerset
RECC
Southern Belle
PSC

INTRODUCTION

This report was prepared as part of the Commission's ongoing efforts to provide the people of Kentucky with the most widespread access possible to safe, dependable, and affordable drinking water. This task has become increasingly difficult in recent years with the decline in availability of grants and low-cost federal loans with which to extend or upgrade the level of service being provided by water utilities in Kentucky.

One avenue open to the Commission to facilitate these goals and to some extent mitigate the shrinking availability of low-cost funds is through the merging of water utilities. Where merger results in a stronger utility, financially or operationally, or results in the upgrading of service to existing customers, or facilitates the extension of service to new customers it is in the public's best interest that it take place. KRS 74.361 requires the Commission to initiate and complete such investigations, inquiries, and studies as may be necessary to make this determination.

The Commission on its own motion and in accordance with the above statute, initiated such a study for the 9 rural water systems operating in Pulaski County. Byrnes Fairchild and Mike Newton of the Commission's engineering staff and Dennis Jones, Angela Schweickart, and Kevin Mason of the rates and tariffs staff began this investigation on March 23, 1987, at Somerset and concluded April 9, 1987, at Science Hill. For each of the 9 utilities, this included: (1) a review of the financial records

maintained by the utility's accountant; (2) an inspection of the visible components - storage tanks, pumping stations, master meter stations, etc. of distribution system facilities; (3) completion of the standard periodic inspection form for distribution system operations and management; and (4) an informal conference with the utility's officers and managers. A summary of the staff's findings is included as Attachment 2.

The merger team is grateful to the officers and employees of the Pulaski County utilities for their cooperation in this matter.

Population and Water Service

The population of Pulaski County according to the 1985 estimates obtained from the Pulaski County Community Development Agency was 49,010 and included populations for the County's five incorporated areas as follows: Somerset - 11,618, Ferguson - 1,080, Burnside - 830, Science Hill - 786, and Eubank - 417. This translates to a rural population of about 34,300 and urban population of about 14,700. The water districts and water associations served 5,823 customers in 1985; 101 of these customers were either commercial or industrial with the remaining 5,722 being residential. The 1980 Census figures showed 2.79 to be the average number of occupants per household. This means the 5,722 households served by districts and associations represent a population of about 15,980. The rural population not served by an existing water system is thus about 18,300. This population is

dependent upon private water wells or water haulers for its water supply.

Although this population is located throughout the county, areas of concentration include: Antioch Shores and Sloans Valley in the southeast between two main tributaries of Lake Cumberland, the Mount Victory area along KY 192 east of Somerset and the area along KY 461 in the northeastern part of the county.

Response to an application for financial assistance for construction that would provide service to Sloans Valley was expected in June 1987, and the possibility of obtaining Abandoned Mines Land funds for construction to serve the Mount Victory area is being investigated. A current construction project being undertaken by District 2 will serve about 300 new customers in southwestern Pulaski County, eastern Russell County, and northern Wayne County.

The flow of water into District 2 is restricted by excessive lengths of 6-inch and 8-inch pipe that connect District 2's service areas to a Somerset storage tank. This restriction will hinder District 2's ability to provide adequate, reliable and efficient service during seasonally high demand periods. A connection to Oak Hills' water main is a possible remedy to this problem.

Oak Hill's 6-inch main along Oak Hill Road is being relocated to allow for road reconstruction. Thus, Oak Hill will have a new main at no expense to the utility. From a county wide viewpoint, the new main should have been 8-inch pipe or larger instead of 6-inch pipe. It is a reasonable assumption that the larger main

could have been purchased by paying the difference between 6-inch and 8-inch pipe, pipe fittings, and valves. Since the larger pipe and its cost would not be a direct benefit to Oak Hill, the benefited waterworks, District 2 and Pleasant Hill, could have borne the cost. The need for larger distribution mains west of Somerset is indicated by current subdivision development in the area. This is one example in which a merged system could have taken advantage of a situation and efficiently improved the county's system.

The establishment and growth of rural water systems in Pulaski County, as well as other counties in Kentucky, and other states have been stimulated by federal grants in aid of construction and low interest federal loans. The rural water system in Pulaski County and elsewhere would not have come into existence if these monetary resources beyond those available to the county and the state had not been available for such purposes. The use of public funds as an aid to construction brings with it an obligation by these systems to extend service, wherever feasible, to others who are also in need of water. In general, however, the water systems do not attempt to serve those beyond their service areas. A plan for serving the entire county is needed.

The per-customer cost for a water distribution system is a major consideration in the determination of feasibility for construction. If unreasonably high monthly rates would be required, then construction is not feasible. However, a project that does not appear to be feasible can be made feasible by

obtaining grants and low-interest federal loans to lessen the burden of construction costs to be borne by the utility's customers.

Operating Records

The facility operating records that the PSC requires water utilities to maintain include: service interruptions, complaints, metering, inspections, safety, and service pressure. Many of these records are not being kept.

The following is a brief description of the staff's findings:

Interruption records are being kept by 6 of the 9 utilities (District 1, District 2, Barnesburg, Bronston, Elihu-Rush, and Tateville). These records are incomplete in most cases and do not show the cause of interruption, date, time, duration, remedy and steps taken to prevent recurrence.

Only 6 of 9 utilities had any type of complaint file. These utilities were District 1, District 2, Barnesburg, Bronston, Elihu-Rush, and Oak Hill. The manner in which they were maintained was inconsistent and for the most part consisted only of written complaints. None of the utilities kept a record of complaints made verbally by telephone or in person. The non-existence of a business office to call, except for Elihu-Rush, make it difficult for most customers to lodge complaints.

Metering records maintained on history and test cards are almost non-existent. Those utilities keeping history cards on their meters were District 2 and Elihu-Rush, which have just started maintaining records within the last 6 months. Utilities having meter test cards were District 1, District 2, Pleasant Hill, and Nelson Valley. Again, these utilities have just initiated a meter test program within the last few months. Most of the test records were incomplete and not sufficient to meet PSC regulations.

None of the utilities had records to indicate that a systematic inspection program of its utility was being made nor had they adopted and executed any type of safety program.

Pressure survey records were being maintained by Bronston and Elihu-Rush in compliance with PSC regulations. Nelson Valley and Pleasant Hill had access to a pressure recorder but did not have those recorders in constant use as required. None of the other utilities had any type of pressure program.

All utilities are required to provide a suitable area in their place of business for customers to review the utility's tariffs, rates, classifications, charges, rules, and regulations. None of the utilities made this space available. In addition, it was discovered that some of the utilities were making special and non-recurring charges without PSC approval.

Facilities Requirements

Extension of service, storage supply, and meter testing were common problems with these utilities.

Barnesburg, District 2, Nelson Valley, Oak Hill and Pleasant Hill were unfamiliar with the PSC's extension of service regulation 807 KAR 5:066, (12) requiring a utility to make a main line extension of 50 feet or less to a prospective customer. The current policy of these utilities is to have the prospective customer pay for the total cost of the extension.

Each utility should have enough storage to insure a 24-hour supply of water to its customers. District 1, Elihu-Rush, Nelson Valley, Oak Hill, and Pleasant Hill did not have an average one-day supply. Elihu-Rush was the only utility in the process of putting together an application for funding to increase its water storage capacity.

All the utilities, except Bronston, have a verbal agreement with Kentucky Water Services for meter testing. Bronston does not

have any type of meter test program as of the date of this report. The amount of meter testing currently being done is minimal for the number of customers served by these utilities. None of the utilities are meeting the minimum periodic test period as set forth in the PSC regulations. Further, the meter test facility owned and operated by Kentucky Water Services is not large enough to handle a periodic meter test program for all 9 utilities.

Utility Operations and Maintenance

The utilities having managers for day-to-day operations are Bronston, District 2, Elihu-Rush, Pleasant Hill, Nelson Valley, and Tateville. Their duties include the following: reading master meters, taking water samples, checking chlorine levels, examining pump station operation, inspecting water tanks, reading customers meters, billing customers, disconnecting/reconnecting water service, and taking pressure surveys. None of the utilities own any service or maintenance equipment (backhoes, ditchwitches, etc.). Most maintenance operations including setting meter connections, constructing water main extensions, repairing water main breaks, etc., are performed by Don Molden Multiple Services ("Don Molden").

The utilities not having full-time managers are District 1, Barnesburg, and Oak Hill. District 1 has a contract with Kentucky Water Services to perform all maintenance and operational duties. Officers of both Barnesburg and Oak Hill have assumed the responsibilities of managing their systems during their spare time.

All the utilities, except District 1, utilize Don Molden for any maintenance and/or construction work and do not keep any surplus supply of pipes, connections, fittings, etc., on hand for maintenance emergencies.

Generally, the operation and maintenance for these utilities has been adequate. However, the quality of operation and management is now threatened by increasing demands brought about by growth in the size of these utilities. Customer services are kept at a minimum to avoid rate increases. Pressure surveys, leak surveys, meter testing, water storage and other monitoring programs are not being undertaken. This is a direct violation of the PSC's regulations that could lead to major service problems in the future.

Potable Water Supply

The 9 water systems obtain potable water from 3 separate sources. Monticello in Wayne County supplies Bronston; Burnside supplies Tateville; and Somerset supplies the other seven water systems.

Examination of the Financial Records

For all the utilities except District 2, the financial records for calendar year 1985 were examined. Due to District 2's recent expansion, Staff reviewed the records for calendar year 1986 in order to reflect more normal operations.

Based upon the limited review, 8 of the 9 utilities are entitled to rate increases ranging from 3.6 percent to 50 percent. The individual percentages and the calculations are shown in

Attachment 3. As shown in Attachment 4, 3 of the 9 utilities are currently operating on a negative cash flow basis.

Generally, all the utilities are trying to maintain the lowest rates possible for their customers. However, artificially low rates can be counterproductive to the utilities if as a result they are sacrificing proper maintenance and management. Over time, a utility will operate more efficiently, and thus, at a lower cost to its customers, if the utility is maintained properly, is able to pay all expenses, and has adequate management and administrative policies.

Availability to Customers

Presently only Elihu-Rush has an office available to customers 5 days a week. According to H. D. Raider, Manager of Elihu-Rush, its office was previously open only the first 10 days of each month. This office is now open the entire month. Mr. Raider stated that this enables customers to contact company personnel faster with regard to emergencies, such as line breaks, and gives them more opportunity to pay their bills.

Bronston and Tateville operate quasi-offices: the secretary/treasurer's home for Bronston and the manager's home for Tateville. These two offices observe no schedule of hours or days to be open to their customers. Five of the utilities -- Barnesburg, District 2, Nelson Valley, Oak Hill and Pleasant Hill -- have a billing and collection contract with South Kentucky RECC ("RECC"), and consider the RECC's office to be their office by proxy. District 1 has an operation and maintenance contract with

Somerset Utilities d/b/a Kentucky Water Services but has no office per se other than Somerset Utilities.

Staff encountered many difficulties trying to locate various utility personnel in order to make appointments to review the records and to schedule individual meetings with the utilities. Many of these problems were the result of no office or manager to contact. It is Staff's opinion that since we encountered so much difficulty contacting the utilities, the customers are also having problems. One of the utilities, Tateville, does not even have a phone number listed in the local phone book. It was quite evident that if the utilities had offices open during normal business hours they would greatly enhance their customers' ability to contact them regarding line breaks, billing complaints, new service connections, etc., thereby reducing the amount of line loss and interrupted service.

The absence of an office also contributes to many of the record keeping problems discovered during this inspection. The establishment of an office for each utility would centralize the collection of data for each utility and would allow customers to contact them in an easier more businesslike manner. It would also allow utility personnel the space necessary for the recording and review of facility maps and information.

The various utilities' management, with the exception of Elihu-Rush, feel that an office is not warranted by the number of customers served and are against any additional expense which would raise their water rates. Therefore, they have not pursued the establishment of offices for their utilities.

Commissioners' and Directors' Fees and Per Diem

As shown on Attachment 5, the Commissioners' and Directors' fees and per diem for all 9 utilities total \$27,997. If the systems were merged into one or more entities, fewer Commissioners and Directors would be required and these expenses would eventually be reduced.

Meter Reading

Presently, only Bronston, District 1, and Oak Hill have all their customer meters read by utility personnel each month. District 2 has half of its customer meters read by company personnel. The remaining 5 utilities have the customers read their own meters and may be in violation of the PSC's regulation requiring all customer meters to be read by the utility at least once each calendar year.

A utility's revenues are dependent upon meter readings. In order for a utility to charge fair rates to all customers, the meter readings must be accurate. If the 9 utilities were merged into one or more utilities, the resulting utility or utilities could afford the benefit of having the meters read each month by company personnel.

Billing

Bronston, Tateville, and Elihu-Rush do their customer billing and collecting manually. District 2, Oak Hill, Nelson Valley, Pleasant Hill, and Barnesburg utilize the RECC's billing and collecting services. District 1 has a contract with Kentucky Water Service to provide many services, including customer billing.

The annual billing and collecting costs are shown on Attachment 6 for the utilities who use outside billing and collecting services. Kentucky Water Service contracts with Southern Belle Dairy ("Southern Belle") to actually perform District 1's billing function.

A study was performed comparing the billing and collecting services of the RECC to Southern Belle. Both the RECC and Southern Belle have the capability to perform the billing function for all 9 utilities. The RECC provides a collection service, Southern Belle does not. The RECC charges a flat charge per bill to compute, prepare, and mail the bills. In addition, the RECC charges on a per-item basis for any new accounts and delinquent notices. Southern Belle also charges a flat charge per bill to compute and prepare the bills, but does not charge any additional amount for new accounts and would provide, at no extra charge, a copy of the bills to be used for second notices. Southern Belle would also provide a monthly billing analysis to the utilities.

The RECC mails the bills and, thus, pays the postage expense for the utilities. Southern Belle would give the bills to the utilities to mail. When comparing the cost of the two companies, the postage expense has been added to Southern Belle's cost to make them more comparable. In addition, since District 1 is indirectly using Southern Belle and not the RECC, it has been excluded from the comparison. During the limited review, the 5 utilities that use the RECC had an annual billing and collecting cost of \$49,313 with a total customer base of 3,453, as shown on Attachment 6. Southern Belle's cost for the billing service,

including postage expense, would be \$16,160 based upon the same 3,453 customers. The start-up cost for the change to Southern Belle would be approximately \$863.

Even though Southern Belle would not provide a collection service, Staff is of the opinion that all the utilities, whether merged or not, should investigate the possibility of utilizing Southern Belle for the billing function. This would result in an approximate 67 percent reduction in cost of the billing function. Those utilities who perform the billing function manually should also consider using Southern Belle, since the cost of manually preparing the bills also exceeds the cost charged by Southern Belle.

Tariffs

Each utility has on file with the Commission a copy of its tariff that includes its rates, rules, and regulations. Attachment 7 is a comparison of those tariffs presently in effect and shows the number of gallons of water provided at the minimum bill and the charge and gallons provided at each incremental rate step.

This attachment also includes a comparison of the rates which would be necessary to allow a 20 percent margin of coverage over debt service as shown on Attachment 3; comparison of a potential combined rate schedule for a merged utility to the rates currently in effect; and an analysis of each utility's customer count, the average residential usage, and the total usage per utility.

Conclusions and Recommendations

Continuity of adequate, reliable and efficient service, and the extension of service to meet new demands were given primary consideration in reaching a final conclusion on merger for the Pulaski County water systems.

The number of customers in Pulaski County has increased considerably in the last ten years. Generally, the managers responsible for utility operations have so many duties that they are unable to satisfy the requirements of the PSC and other government agencies. With continued growth these responsibilities will increase. However, the quality of utility service provided to customers has and will continue to decrease. This level of service is now below the standard required by PSC regulations.

The utilities are overly concerned with their boundaries and tend not to look at the full scope of their water system in relationship to adjoining systems. Instead of fostering the full development of their systems to expand and/or make needed improvements, they are reducing services and avoiding additional expense.

Comprehensive planning is essential to the expansion of water distribution facilities in Pulaski County. Storage tank volumes should be adequate for customer demands and located for efficient distribution to meet those demands. The pipe sizes for distribution mains require hydraulic study to insure adequate capacities for transporting the volumes of water needed throughout the county. Pumping stations must be properly engineered for efficient operation. It is not possible for utilities with

different service areas and objectives to accomplish this type of planning on a county-wide basis.

A merged utility would have a larger customer base and could afford an office, meter readers, and other items that the smaller utilities do not presently provide. In addition, the potential for obtaining construction financing for one county-wide project is greater than the potential for obtaining financing for up to 9 different projects for 9 separate water utilities; and larger projects can be financed with lower unit costs and less debt to be borne by each customer.

Staff has discussed with FmHA the possibility of merging the water utilities in Pulaski County and FmHA is agreeable to the idea. The debt of these utilities could eventually be consolidated into the new entity, with the debt service payment amounts remaining the same.

It is therefore, Staff's opinion that the 9 water utilities in Pulaski County should be merged into one utility. The PSC interprets KRS 74.361 to mean that any ongoing water organization after merger will be a water district, except where associations are merged into associations. Therefore, the entity created by the merger recommended herein would be a water district. The "Lake Cumberland Water District" has been suggested as a name for this county-wide water district. However, the final determination of a name for the merged district will rest with the affected utilities.

The statute also provides that Commissioners of merged water districts should continue to serve through the end of their terms.

Pending the consolidation of the merged utility's debts, separate books should continue to be maintained for the individual systems.


No immediate consolidation of rate schedules nor any changes in rate structure are required when a merger takes place. Therefore, each district and association may be able to use its present rate schedule until some future date when a uniform rate schedule for all customers is developed. However, Section (6) of KRS 74.361 provides the PSC with the authority to issue additional Orders regarding rate schedules, rentals, and other charges for services rendered, if required.


Respectfully submitted,

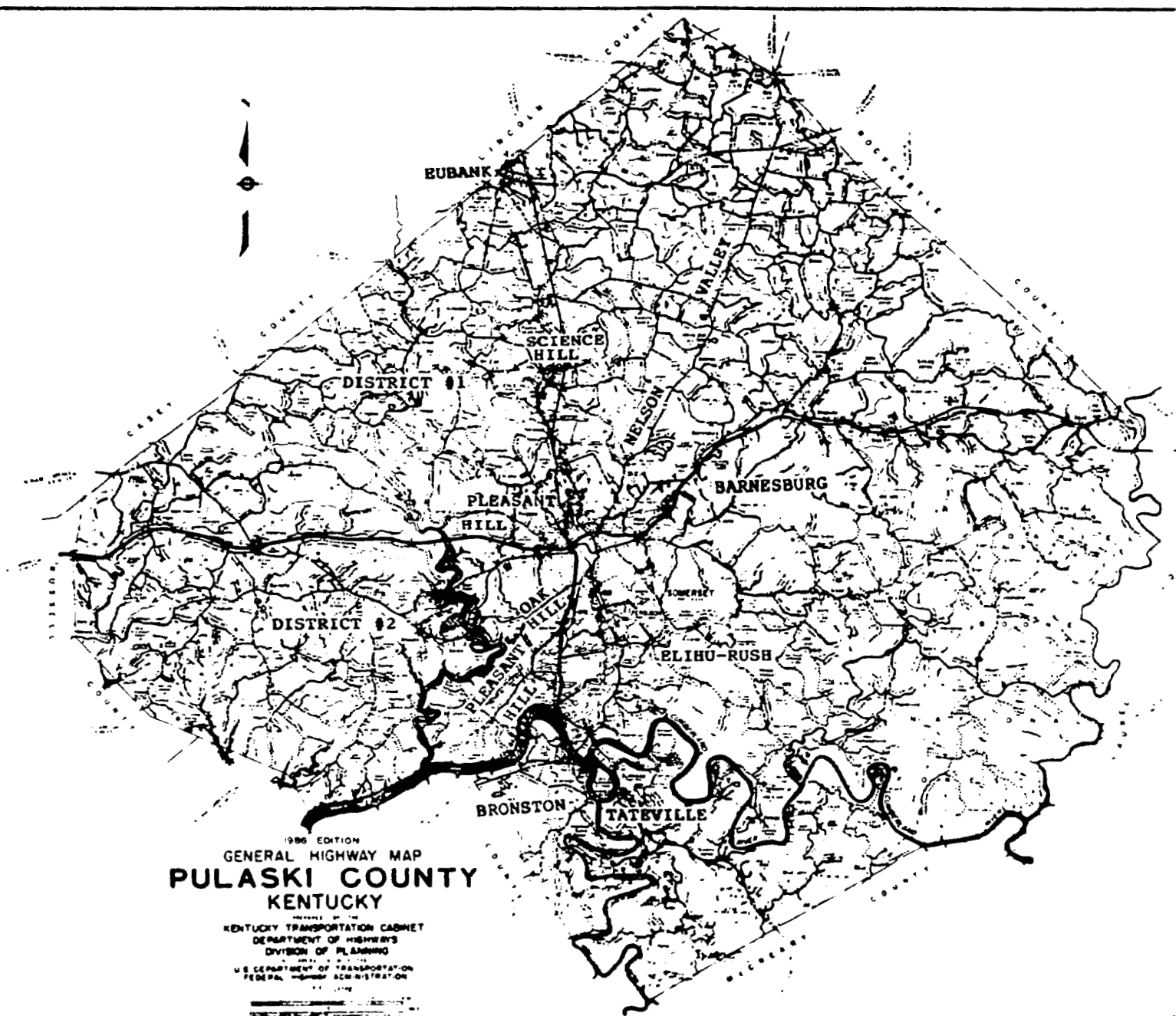

Angela Schweickart
Division of Rates & Tariffs


Kevin Mason
Division of Rates & Tariffs


Dennis Jones, Branch Manager
Division of Rates & Tariffs


Mike Newton
Division of Engineering


Byrnes Fairchild
Division of Engineering



GENERAL HIGHWAY MAP PULASKI COUNTY KENTUCKY

BADERSBURG	BONSTON	DISTRICT #1	DISTRICT #2	ELIHU-RUSH	NELSON VALLEY	OAK HILL	PLEASANT HILL	ZATEVILLE	
No	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Manager
No	No	No	No	Yes	No	No	No	No	Business Office
(7)	(5)	(1)	(2)	(5)	(2)	(3)(7)	(2)	(5)	Billing And Collecting
No	No	No	No	No	No	No	No	No	Tariffs Posted
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Map Of Water System
Yes	Yes	No	Yes	No	No	No	No	Yes	Storage Volume For 1-Day
(8)	(5)(8)	(1)	(8)	(8)	(8)	(8)	(8)	(8)	Maintenance Of System
No	Yes	Yes	No	Yes	No	No	No	Yes	Main Extensions By PSC Regulations
Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Complaint Records
Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Special Charges
Yes	Yes	Yes	Yes	No	No	Yes	No	No	Special Charges Filed With PSC
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Non-Recurring Charges
Yes	Yes	Yes	No	Yes	No	Yes	No	No	Non-Recurring Charges Filed With PSC
Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Records Of Service Interruptions
No	Yes	No	No	Yes	Yes	No	Yes	No	Has A Pressure Recorder
No	Yes	No	No	Yes	No	No	No	No	Makes Pressure Surveys
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Special Contracts Filed With PSC
No	No	No	No	No	No	No	No	No	Has Safety Program
No	Yes	No	No	Yes	No	No	No	No	Inspection Of System
Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Customer Deposits Required
Yes	No	No	No	No	No	Yes	Yes	No	Interest Paid On Deposits
(6)	(5)	(1)	(5)(6)	(6)	(6)	(5)	(6)	(6)	Customers Meters:
(1)	(1)	(1)	(1)	(1)	(1)	No	(1)	(1)	Monthly Reading Done By
No	No	No	Yes	Yes	Yes	No	Yes	No	Tests Made By
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Periodic Test Program
No	No	Yes	Yes	No	Yes	No	Yes	No	Test Made At Customer's Request
No	No	No	Yes	Yes	No	No	No	No	Test Cards Maintained
(1)	(1)	(1)	(1)	(1)	(1)	No	(1)	(1)	History Cards Maintained
(1)	(1)	(1)	(1)	(1)	(1)	No	(1)	(1)	Test Facilities
(1)	(1)	(1)	(1)	(1)	(1)	No	(1)	(1)	PSC Accuracy Requirements

Notes:

- (1) Kentucky Water Service Co., Inc.
(Southern Belle Dairy)
(2) Paul Wesley, C.P.A.
(South Kentucky REOC)
(3) Kenneth Kelley
(4) Norman Ard, C.P.A.

- (5) The Utility
(6) The Customers
(7) South Kentucky REOC
(8) Don Molden Multiple Services

Attachment 3Rate Increase

	(1)	(2)	(3)	(4)	(1-2+3-4)	Percentage
<u>Utility</u>	<u>1985 Gross Revenues</u>	<u>Adjusted Operating Expenses (including depreciation)</u>	<u>Other Income and Deductions</u>	<u>1.2X DSC Coverage</u>	<u>Allowable Increase</u>	<u>Increase in rates</u>
Barnesburg	\$ 80,323.61	\$ 85,795.41	\$ 2,966.26	\$37,514.40	\$40,019.94	50.06%
Elihu-Rush	110,145.84	122,262.73	4,110.05	20,935.20	28,942.04	26.28%
Pulaski #2*	240,265.02	212,466.97	15,012.35	88,692.00	45,881.60	19.26%
Tateville	52,457.24	43,488.23	157.20	13,824.00	4,697.79	8.96%
Pleasant Hill	117,353.29	115,894.69	4,428.62	15,600.00	9,712.78	8.36%
Nelson Valley	123,335.04	116,369.78	5,137.34	21,600.00	9,497.40	7.74%
Oakhill	43,273.57	48,637.19	4,172.13	2,133.60	3,325.09	7.68%
Pulaski No. 1	152,112.83	130,861.33	1,440.04	27,870.43	5,178.89	3.61%
Bronston	130,836.00	97,472.00	2,953.00	26,432.40	<9,884.60>	N/A

* 1986 Revenues and Expenses

Attachment 4Cash Flow

	(1) 1985 Gross Revenues	(2) Adjusted Operating Expenses (excluding depreciation)	(3) Other Income and Deductions	(4) Principal and Interest on LT Debt	(1-2+3-4) Cash Flow
Barnesburg	\$ 80,323.61	\$ 57,472.41	\$ 2,966.26	\$31,262.00	\$<5,444.54>
Elihu-Rush	110,145.84	102,655.50	4,110.05	17,446.00	<5,845.61>
Pulaski No. 2*	240,265.02	158,838.13	15,012.35	73,960.00	22,479.24
Tateville	52,457.24	34,676.27	157.20	11,520.00	6,418.17
Pleasant Hill	117,353.29	96,669.69	4,428.62	13,000.00	12,112.22
Nelson Valley	123,335.04	99,714.78	5,137.34	18,000.00	10,757.60
Oakhill	43,273.57	45,976.77	4,172.13	1,778.00	<309.07>
Pulaski No. 1	152,112.83	113,973.31	1,440.04	23,225.00	16,354.56
Bronston	130,836.00	81,034.00	2,953.00	22,027.00	30,728.00

*1986 Revenue & Expenses

Attachment 5

Commissioners and Directors
Fees and Per Diem

Barnesburg	\$ 107.00
Elihu-Rush	-0-
Pulaski Co. No. 2	5,700.00
Tateville	-0-
Pleasant Hill	7,100.00
Nelson Valley	4,640.00
Oakhill	4,600.00
Pulaski Co. No. 1	3,480.00
Bronston	<u>2,370.00</u>
	<u>\$27,997.00</u>

Attachment 6

Billing and Collecting Costs

<u>Utility</u>	<u>Contract with</u>	<u>Average No. of Customers</u>	<u>1985 Cost</u>
Pulaski Co. No. 1*	Ky. Water Service	824	\$ 3,892.23
Barnesburg	S. Ky. RECC	473	5,974.65
Pleasant Hill	S. Ky. RECC	785	9,906.60
Nelson Valley	S. Ky. RECC	641	8,037.42
Oakhill	S. Ky. RECC	148	1,837.40
Pulaski Co. No. 2**	S. Ky. RECC	<u>1,406</u>	<u>23,556.56</u>
		<u>4,277</u>	<u>\$53,204.86</u>

• Billing services only.

** Based upon 1986 expenses.

	COMBINED DISTRICT	BARNESBURG	BRONSTON	DISTRICT #1	DISTRICT #2	ELIJAH-MUGA	WELSON VALLEY	OAK HILL	PLEASANT HILL	ZAYSVILLE
INFORMATION THAT EACH LINE PROVIDES	COMBINED RATES	EXISTING RATES FROM EACH UTILITY'S OFFICIAL TARIFFS AS FILED WITH THE PSC. THESE RATES ARE FOR 5/8" x 3/4" METERS ONLY								
Minimum Gallonage Minimum Bill	1,000 7.70	1,500 7.52	1,500 8.65	1,000 5.52	1,000 6.60	2,000 9.00	2,000 7.36	1,500 6.00	2,000 7.24	1,000 7.60
Next Gallonage Block Per 1,000 Rate	4,000 2.40	1,500 2.93	3,500 3.60	4,000 2.32	9,000 2.50	3,000 2.30	3,000 2.93	3,500 1.80	3,000 2.62	4,000 3.70
Next Gallonage Block Per 1,000 Rate	5,000 1.60	2,000 2.68	5,000 2.65	5,000 2.07	—	5,000 1.55	—	5,000 1.20	—	—
Next Gallonage Block Per 1,000 Rate	15,000 1.40	—	5,000 2.05	—	—	—	—	15,000 1.00	—	—
All Gallonage Over Per 1,000 Rate	25,000 1.10	5,000 2.43	15,000 1.65	10,000 1.77	10,000 2.10	10,000 1.35	5,000 2.68	25,000 .75	5,000 2.37	5,000 2.75
INFORMATION THAT EACH LINE PROVIDES		THE ABOVE RATES, EXCEPT FOR BRONSTON'S DO NOT PROVIDE A MARGIN OF 20% OVER BEST SERVICE. THE RATES BELOW SHOULD PROVIDE A 20% MARGIN.								
Minimum Gallonage Minimum Bill (\$)		1,500 11.30	1,500 8.65	1,000 5.75	1,000 7.85	2,000 11.40	2,000 7.93	1,500 6.45	2,000 7.85	1,000 8.25
Next Gallonage Block Per 1,000 Rate (\$)		1,500 4.40	3,500 3.60	4,000 2.40	9,000 3.00	3,000 2.90	3,000 3.15	3,500 1.95	3,000 2.80	4,000 4.05
Next Gallonage Block Per 1,000 Rate (\$)		2,000 4.00	5,000 2.65	5,000 2.15	—	5,000 1.95	—	5,000 1.30	—	—
Next Gallonage Block Per 1,000 Rate (\$)		—	5,000 2.05	—	—	—	—	15,000 1.10	—	—
All Gallonage Over Per 1,000 Rate (\$)		5,000 3.65	15,000 1.65	10,000 1.85	10,000 2.50	10,000 1.70	5,000 2.90	25,000 .80	5,000 2.65	5,000 3.00
INFORMATION THAT EACH LINE PROVIDES		FOR COMPARISON OF EXISTING RATES TO THE COMBINED RATES THE COSTS AND DIFFERENCES ARE SHOWN BELOW FOR 5,000, 7,500 AND 10,000 GALLONS								
5,000 Gals. @ Existing Rates (\$)		17.28	21.25	14.80	16.60	15.90	16.15	12.30	15.10	22.40
5,000 Gals. @ Combined Rates (\$)		17.30	17.30	17.30	17.30	17.30	17.30	17.30	17.30	17.30
Dollar Difference (\$)		+.02	-3.95	+2.50	+.70	+1.40	+1.15	+.00	+.20	-5.10
Percent Difference (%)		+.1	-18.6	+16.9	+4.2	+8.8	+7.1	+40.7	+14.6	-22.8
7,500 Gals. @ Existing Rates (\$)		23.35	27.88	19.98	22.85	19.78	22.85	15.30	21.03	29.28
7,500 Gals. @ Combined Rates (\$)		21.30	21.30	21.30	21.30	21.30	21.30	21.30	21.30	21.30
Dollar Difference (\$)		-2.05	-6.58	+1.32	-1.55	+1.52	-1.55	+.00	+.27	-7.98
Percent Difference (%)		-8.8	-23.6	+6.6	-6.8	+7.7	-6.8	+39.2	+1.3	-27.3
10,000 Gals. @ Existing Rates (\$)		29.43	34.50	25.15	29.10	23.65	29.55	18.30	26.95	36.15
10,000 Gals. @ Combined Rates (\$)		25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30	25.30
Dollar Difference (\$)		-4.13	-9.20	+.15	-3.80	+1.65	-4.25	+.00	-1.65	-10.85
Percent Difference (%)		-14.0	-26.7	+.6	-13.1	+7.0	-14.4	+38.3	-6.1	-30.0
INFORMATION THAT EACH LINE PROVIDES	COMBINED DISTRICT	CUSTOMERS SERVED AND WATER SALES								
Customers Served	5,823	473	660	824	1,406	621	641	148	785	265
12 Months Sales (1,000 Gallons)	332,273	26,646	25,980	50,053	71,145	44,415	38,644	26,381	36,669	12,339
Avg. Monthly Sales (1,000 Gallons)	27,689	2,221	2,165	4,171	5,929	3,701	3,220	2,198	3,056	1,028
Avg. Residential Usage (1,000 Gallons)		4.52	3.22	5.06	3.04	5.96	4.57	5.56	3.81	3.88